

Message Text

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11

ACTION EA-14

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INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

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TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

SWF-02 AGR-20 STR-08 DRC-01 /209 W

----- 045610

R 060720Z MAY 74

FM AMEMBASSY CANBERRA

TO USMISSION OECD PARIS

INFO SECSTATE WASHDC 3145

AMEMBASSY WELLINGTON

AMCONSUL BRISBANE

AMCONSUL MELBOURNE

AMCONSUL PERTH

AMCONSUL SYDNEY

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SYDNEY ALSO PASS USTC

E.O. 11652: N/A

TAGS: ETRD, OECD, AS

SUBJ: OECD TRADE COMMITTEE EXAMINATION
OF AUSTRALIA

REF: (A) OECD PARIS 08445

(B) STATE 044937

(C) CANBERRA 2177

(D) CANBERRA 2314

(E) CANBERRA 2317

(F) CANBERRA 2425

(G) CANBERRA 2590

(H) CANBERRA 2591

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(I) STATE 074777

(J) CANBERRA 3885, JULY 13, 1973

1. SUMMARY: REFTEL (A) REQUESTING COMMENT SON TFD/TD/744 BY APRIL 15 WAS NOT RECEIVED IN EMBASSY UNTIL APRIL 19. NOTWITHSTANDING PASSAGE OF DEADLINE HOWEVER EMBASSY WOULD LIKE TO CONTRIBUTE FOLLOWING OBSERVATIONS WITH THE HOPE THEY MAY SUPPLEMENTING REFTEL (B), BE OF SOME ASSISTANCE TO MISSION IN PREPARATIONS FOR TC EXAMINATION OF AUSTRALIA MAY 20-22. EMD SUMMARY.

2. SINCE ITS ELECTION IN DECEMBER 1972, PRESENT GOA HAS FOLLOWED A STRONGLY PRO-IMPORT COMMERCIAL AND MONETARY POLICY FOR PRACTICAL CURRENT ANTI-INFLATIONARY REASONS. U.S. EXPORTS TO AUSTRALIA ROSE SHARPLY AS COMBINED RESULTS OF THIS POLICY AND PRICE INFLATION. U.S. EXPORTS IN CY 1973 WERE \$US1,432 MILLION COMPARED TO \$US839 MILLION IN CY 1972. THE LEVEL OF THESE IMPORTS APPEARS STILL TO BE RISING IN RESPONSE TO 1973 POLICY MEASURES AND STRONG INTERNAL AUSTRALIAN INFLATION. U.S. EXPORTS DURING FIRST QUARTER CALENDAR 1974 WERE AT UNADJUSTED ANNUAL RATE WELL OVER \$1,800 MILLION.

3. IN SHORT TERM SENSE THEREFORE GOA TRADE POLICY IS POSING FEW PROBLEMS FOR U.S. TRAD. NEVERTHELESS, OECD EXAMINATION MAY OFFER OPPORTUNITY TO EXPLORE GOA THINKING ON SOME UNDERLYING POINTS WHICH ARE SIGNIFICANT IN LONGER RUN. IN THE EVENT OF COURSE THAT BY THE TIME OF THE EXAMINATION THE MAY 18 AUSTRALIAN GENERAL ELECTION HAS RESULTED IN A CHANGE IN GOVERNMENT, THE THE SOMEWHAT MORE PROTECTIONIST POLICIES CURRENTLY PROJECTED BY THE OPPOSITION PARTIES (REFTELS C, D, G, AND H) WILL HAVE ADDED IMPORTANCE, BUT GOA DELEGATION UNLIKELY BY MAY 20 TO BE IN POSITION TO RESPOND IN ANY DETAIL TO INQUIRIES ON THE DIRECTION TRADE POLICY MIGHT TAKE UNDER A NEW GOVERNMENT.

4. NOTWITHSTANDING THE 1973 UNILATERAL TARIFF REDUCTIONS, THE EFFECT OF WHICH WAS HEIGHTENED BY THREE UPWARD ADJUSTMENTS IN THE VALUE OF THE LIMITED OFFICIAL USE

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AUSTRALIAN DOLLAR COMPARED WITH THE U.S. DOLLAR, THE EFFECTIVE LEVEL OF THE AUSTRALIAN TARIFF ON MANUFACTURED IMPORTS REMAINS HIGH. MOREOVER, THE EXTENT TO WHICH THESE UNILATERAL REDUCTIONS MAY BE CONSOLIDATED IN GATT REMAINS TO BE SEEN. ON THE OTHER HAND, WHILE THE EXTRAORDINARY STRENGTH OF AUSTRALIAN EXPORT EARNINGS DURING THE PAST TWO YEARS MAY WELL RECEDE, IT IS ALSO TRUE THAT A

SUBSTANTIAL PART OF THE IMPROVEMENT RESULTING FROM AUSTRALIAN MINERALS DEVELOPMENT SINCE 1960, AND THE CHANGING WORLD DEMAND FOR PRIMARY MATERIALS REPRESENTS A STRUCTURAL CHANGE IN AUSTRALIA'S EXPORT POSITION. FOR THIS REASON THE PRECARIOUS CURRENT ACCOUNT SITUATION WHICH WAS ONE TRADITIONAL REASON FOR AUSTRALIA'S HIGH PROTECTIVE IMPORT TARIFF POLICY WILL HAVE LARGELY DISAPPEARED. THIS POSES A NEW SITUATION IN WHICH, INDUSTRIAL EMPLOYMENT EFFECTS ASIDE, AUSTRALIA CAN TAKE A NEW LOOK AT THE LEVEL OF INDUSTRIAL EFFICIENCY IT WISHES TO REQUIRE IN SETTING ITS FUTURE LEVEL OF PROTECTION. IT MAY BE APPROPRIATE IN THE COURSE OF THE TC EXAMINATION TO EXPLORE THE GOA'S CURRENT THINKING ON THIS POINT.

5. IN THE SAME GENERAL CONTEXT IT IS INTERESTING TO NOTE THAT DURING THE PAST WEEK OF ELECTION CAMPAIGNING, THE OPPOSITION HAS CHARGED THAT RECENT TARIFF REDUCTIONS SERIOUSLY THREATEN THE AUSTRALIAN TEXTILE AND FOOTWEAR INDUSTRIES. THEY HAVE PROMISED AN URGENT STUDY OF THE POSSIBLE NEED FOR EMERGENCY REMEDIAL ACTION AND HAVE SUCCEEDED IN EVOKING FROM THE PRIME MINISTER A PARALLEL COMMITMENT FOR SUCH A STUDY. BECAUSE AUSTRALIAN IMPORTS ARE STILL RESPONDING TO THE 1973 MOVES, IT IS PROBABLE THAT IN COMING MONTHS CONCERN OVER EMPLOYMENT EFFECTS WILL PRODUCE PRESSURE FOR GOA COINCIDE WITH THE PERIOD OF FINAL PREPARATIONS FOR THE MTN, AND BEAR IMPORTANTLY ON THE EXTENT TO WHICH THE IMPORT LIBERALIZATIONS OF THE PAST YEAR ARE EVENTUALLY BOUND IN GATT.

6. BY-LAW-SYSTEM- -- THERE HAS BEEN SOME SPECULATION LIMITED OFFICIAL USE

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IN AUSTRALIA THAT THE CURRENT REVIEW OF ITS BY-LAW SYSTEM MAY LEAD TO ITS SUBSTANTIAL CONTRACTION OR TOTAL ELIMINATION. GIVEN THE IMPORTANCE OF BY-LAW IMPORTS IN THE TOTAL OF AMERICAN EXPORTS IN AUSTRALIA, ANY SIGNIFICANT CHANGE IN THIS SYSTEM IS OF DIRECT INTEREST TO U.S. EXPORTERS. EMBASSY INQUIRIES TO DATE HAVE PRODUCED INCONCLUSIVE RESULTS. ANY NEW INDICATIONS THAT MAY BE OBTAINED ON THIS POINT WOULD BE USEFUL.

7. PROCUREMENT OFFSET POLICY-- AS INDICATED IN REFTEL (J), ONE OF THE MORE TROUBLESOME FEATURES OF AUSTRALIAN COMMERCIAL POLICY FROM AN AMERICAN BUSINESS STANDPOINT IS THE PROCUREMENT OFFSET SYSTEM WHICH IS REFERRED TO IN PARAS 90-92 OF TFD/TD/765. THE OFFSET PROCUREMENT

MANUAL PUBLISHED BY THE GOA SPECIFIES THAT AUSTRALIAN INDUSTRY PARTICIPATION WILL BE SOUGHT QTE FOR ALL MAJOR PURCHASES FROM OVERSEAS SOURCES END QTE. ON MAJOR PURCHASES THE SUPPLIERS ARE REQUESTED TO SUBMIT PROPOSALS FOR SUCH PARTICIPATION QTE UP TO A SUBSTANTIAL PROPORTION END QTE OF THE ORDER. THE SUPPLIERS' WILLINGNESS TO DO SO QTE AND THE TECHNICAL WORTH AND FINANCIAL VALUE OF THEIR PROPOSALS MAY (UNDERLINING SUPPLIED) BE SIGNIFICANT FACTORS IN DECIDING THE AWARD....". IF OVERSEAS BIDDERS HAVE PREVIOUSLY AWARDED SUB-CONTRACTS TO AUSTRALIAN INDUSTRY, QTE PROVIDED SUCH SUB-CONTRACTS ARE FOR 'SUITABLE, PURCHASES', THE VALUE OF THESE CONTRACTS MAY (UNDERLINING SUPPLIED) BE TAKEN INTO ACCOUNT WHEN CONSIDERING OFFSETS REQUIRED...." ASIDE FROM THE U.S. OBJECTION TO THIS POLICY IN PRINCIPLE, AMERICAN OBJECTION TO THIS POLICY IN PRINCIPLE, AMERICAN CONTRACTORS ON MAJOR PROCUREMENT PROJECTS, SUCH AS AIRCRAFT AND COMPUTERS, HAVE FOUND THE UNCERTAINTIES IN THE ADMINISTRATION OF THE GOA GUIDELINES TROUBLESOME. SPECIFICALLY, THEY FACE UNCERTAINTIES AS TO WHETHER WEIGHT WILL OR WILL NOT BE GIVEN TO OFFSETS IN ANY GIVEN PROCUREMENT CASE. WHERE THE OFFSETS DO PROVE, IMPORTANT, THE PUBLISHED CRITERIA ARE VERY GENERAL RESPECTING THE WEIGHT WHICH WILL BE PROFFERED, AS WELL AS TO THE RELATIVE LIMITED OFFICIAL USE

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VALUE OF OFFSET.

8. INTERNATIONAL DISCIPLINE ON EXPORTS OF SHORT SUPPLY ITEMS-- REFTELS KD), (F), AND (I) CONTAIN THE EXCHANGE BETWEEN THE DEPARTMENT AND CANBERRA ON THIS SUBJECT. (SEE ALSO GENEVA 2788 FOR A SUPPLEMENTAL AUSTRALIAN REACTION). WHILE IT IS UNLIKELY THAT THE AUSTRALIAN DELEGATION WILL HAVE ANY DETAILED POSITION TO OFFER AT THE OECD REVIEW, THE MISSION MAY WISH TO CONSIDER WHETHER IT IS APPROPRIATE TO USE THE OCCASION TO REMIND THEM OF THIS QUESTION AND OF THE IMPORTANCE THE U.S. ATTACHES TO IT. DEPENDING UPON CIRCUMSTANCES, THE MISSION MIGHT WISH TO INVITE ANY COMMENT THE AUSTRALIAN DELEGATION CAN MAKE ON THE PRACTICAL IMPLICATIONS OF THE CONCEPT OF QTE RESOURCES DIPLOMACY END QTE. THIS TERM HAS BEEN USED BY THE PRIME MINISTER AND THE MINISTER FOR MINERALS AND ENERGY TO CHARACTERIZE AUSTRALIA'S USE OF ITS MINERAL RESOURCES IN INTERNATIONAL RELATIONS, BUT HAS NOT BEEN DEFINED IN ANY SPECIFIC TERMS.

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